

Exchange proposes to amend CBOE Rule 17.8, Interpretation and Policy .01 to deduct from the 120-day settlement period the number of days over 30 days which a subject spends in the expedited process unsuccessfully attempting to reach an agreement with the Exchange staff.

The Commission believes that the proposed amendments to CBOE Rule 17.8 should allow the Exchange's disciplinary proceedings to progress promptly without compromising members' rights to "fair procedures" in CBOE disciplinary proceedings. Specifically, by deducting from the 120-day settlement period the number of days over 30 spent in unsuccessful negotiations under the expedited process, the proposal will prevent the subject of an Exchange investigation from using the expedited process to delay the resolution of a case while continuing to ensure that the subject has adequate time to resolve the matter through a letter of consent or settlement. In this context, the proposal will deduct only the portion of days above 30 spent in unsuccessful negotiations under the expedited process from the 120-day settlement period, thereby limiting the total amount of time a subject may spend in attempts to resolve a case through either a letter of consent under CBOE Rule 17.3 or a settlement offer under CBOE Rule 17.8.

The Commission also believes that it is reasonable to allow the CBOE staff, as well as the subject, to terminate negotiations for a letter of consent at any time during the negotiations. As noted above,<sup>7</sup> the CBOE has stated that it will terminate the letter of consent negotiations if, among other things, it appears to the Exchange that a subject is not negotiating in good faith. The Commission believes that this provision will help to ensure that disciplinary matters are resolved quickly by preventing subjects who do not negotiate in good faith from using the letter of consent negotiations to delay the resolution of the matter.

At the same time, the Commission believes that the proposal should preserve the rights of respondents to submit settlement offers under CBOE Rule 17.8. By providing that respondents will have no less than 14 days following the date of service of the statement of charges to submit offers of settlement to the BCC, regardless of the amount of time spent in the expedited process, the proposal should provide respondents with sufficient time to submit settlement offers under CBOE Rule 17.8. Thus, the Commission

believes that the proposed amendments to CBOE Rule 17.8 will help to safeguard the procedural rights of members while preserving the Exchange's ability to administer its disciplinary proceedings in a timely and efficient manner.

The Commission also believes that the proposed amendments to CBOE Rule 17.3 are consistent with the Act. Specifically, the Commission believes that the proposed amendments will streamline the Exchange's expedited proceedings by providing that a subject of an Exchange investigation who wishes to dispose of a matter through a letter of consent must notify the Exchange staff of his intent within 15 days of the receipt of notice under CBOE Rule 17.2(d). In addition, the proposal clarifies the requirements for expedited proceedings by specifying that the subject and the Exchange staff must agree upon the terms of a letter of consent and the letter must be signed by the subject. The proposal also allows either party to deliver a written notice declaring an end to the negotiations, thereby limiting the amount of time that may be spent in unsuccessful negotiations.

In summary, the Commission believes that the proposed amendments to CBOE Rules 17.3 and 17.8 should allow cases to be resolved more quickly and efficiently, while continuing to ensure adequate due process for subjects of disciplinary matters, consistent with Section 6(b)(7) of the Act. Accordingly, the changes should permit Exchange resources to be allocated more effectively in pursuing violations of the Exchange's rules and the federal securities laws and help to ensure that appropriate and fair discipline is imposed for violations. This should further the Exchange's mandate to protect investors and the public interest.

Finally, the Commission believes that it is reasonable for the Exchange to clarify its rules by making editorial changes to CBOE Rules 17.3 and 17.8 which do not affect the substance of those rules.

*It is therefore ordered*, pursuant to section 19(b)(2) of the Act,<sup>8</sup> that the proposed rule change (SR-CBOE-94-35) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>9</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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[Release No. 34-35354; International Series Release No. 783; File No. SR-ISCC-94-01]

**Self-Regulatory Organizations; International Securities Clearing Corporation; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Regarding the Global Clearing Network Service**

February 10, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on January 6, 1995, the International Securities Clearing Corporation ("ISCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-ISCC-95-01) as described in Items I, II, and III below, which items have been prepared primarily by ISCC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

**I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change**

The proposed rule change consists of amendments to ISCC's Rule 50 to expand the categories of entities with which ISCC may establish relationships for its foreign clearance and settlement service.

**II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

In its filing with the Commission, ISCC included statements concerning the purpose of and basis for the proposed rule change and discussed any comments that it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. ISCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.

**(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

(a) ISCC Rule 50 currently provides that ISCC may establish a foreign clearing, settlement, and custody service in conjunction with banks and trust companies to be known as the Global Clearance Network ("GCN") Service. The proposed rule change expands the categories of entities with whom ISCC may enter into agreements in order to provide the GCN Service to include any type of entity. This change will permit

<sup>7</sup> See note 5, *supra*.

<sup>8</sup> 15 U.S.C. 78s(b)(2) (1988).

<sup>9</sup> 17 CFR 200.30-3(a)(12) (1994).

<sup>1</sup> 15 U.S.C. 78s(b)(1) (1988).

ISCC to enter into a relationship with entities such as INDEVAL, the Mexican securities clearing and depository company. However, ISCC will still be required to file a proposed rule change pursuant to Section 19(b) of the Act before entering into a clearing, settlement, or custody service relationship with any entity.

(b) The proposed change will facilitate the prompt and accurate clearance and settlement of securities transactions, and therefore, the proposed rule change is consistent with the requirements of the Act, specifically Section 17A of the Act, and the rules and regulations thereunder.

*(B) Self-Regulatory Organization's Statement on Burden on Competition*

ISCC does not believe that the proposed rule change will have an impact on or impose a burden on competition.

*(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others*

No written comments have been solicited or received. ISCC will notify the Commission of any written comments received by ISCC.

**III. Date of Effectiveness of the Proposed Rule Change and Timing for the Commission Action**

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(e)(4) thereunder in that the proposal effects a change in an existing service that does not adversely affect the safeguarding of securities or funds and does not significantly affect the respective rights of the clearing agency or persons using the service. At any time within sixty days of the filing of such proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

**IV. Solicitation of Comments**

Interested persons are invited to submit written data, views, and arguments concerning the foregoing. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street NW., Washington, D.C. 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the

Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room, 450 Fifth Street NW., Washington, D.C. 20549. Copies of such filing will also be available for inspection and copying at the principal office of the above-mentioned self-regulatory organization. All submissions should refer to the file number SR-ISCC-95-01 and should be submitted by March 9, 1995.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>2</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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[Rel. No. IC-20895; File No. 812-9244]

**First SunAmerica Life Insurance Company, et al.; Notice of Application**

February 10, 1995.

**AGENCY:** Securities and Exchange Commission ("SEC" or "Commission")

**ACTION:** Notice of application for exemption under the Investment Company Act of 1940 (the "Act" or "1940 Act").

**APPLICANTS:** First SunAmerica Life Insurance Company ("First SunAmerica"), FS Variable Separate Account ("Separate Account"), and SunAmerica Capital Services, Inc.

**RELEVANT ACT SECTIONS:** Order requested under Section 6(c) for exemptions from Sections 26(a)(2) and 27(c)(2).

**SUMMARY OF APPLICATION:** Applicants request exemptions from Sections 26(a)(2) and 27(c)(2) of the Act to the extent necessary to allow first SunAmerica to deduct from the Separate Account the mortality and expense risk charges and the distribution expense charge imposed under the individual flexible payment deferred annuity contracts ("Contracts") to be funded in the Separate Account.

**FILING DATE:** The application was filed on September 16, 1994 and amended on February 3, 1995.

**HEARING OR NOTIFICATION OF HEARING:** An order granting the application will be issued unless the SEC orders a hearing. Interested persons may request a

hearing by writing to the SEC's Secretary and serving Applicants with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on March 7, 1995, and should be accompanied by proof of service on Applicants, in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request notification by writing to the SEC's Secretary.

**ADDRESSES:** Secretary, SEC, 450 Fifth Street NW., Washington, D.C. 20549. Applicants, c/o Routier, Mackey and Johnson, P.C., 1700 K Street NW., Suite 1003, Washington, D.C. 20006.

**FOR FURTHER INFORMATION CONTACT:** Edward P. Macdonald, Staff Attorney, or Wendy Friedlander, Deputy Chief, at (202) 942-0670, Office of Insurance Products, Division of Investment Management.

**SUPPLEMENTARY INFORMATION:** The following is a summary of the application. The complete application may be obtained for a fee from the SEC's Public Reference Branch.

**Applicants' Representations**

1. First SunAmerica is a stock life insurance company organized under the laws of the State of New York and is admitted to conduct a life insurance and annuity business in that state. SunAmerica Capital Services, Inc., the distributor for the Contracts, is a broker-dealer registered under the Securities Exchange Act of 1934 and is a member of the National Association of Securities Dealers, Inc.

2. The Separate Account was established by First SunAmerica to fund variable annuity contracts. The Contracts that are the subject of the application provide for accumulation of contract values and payment of annuity benefits on a fixed and variable basis. The Contracts will be initially funded through eighteen portfolios of the Separate Account; each portfolio will invest its assets in the shares of one of four available series of the Anchor Series Trust or one of fourteen available series of the SunAmerica Series Trust. Both the Anchor Series Trust and the SunAmerica Series Trust are registered under the 1940 Act as diversified, open-end, management investment companies and the securities they issue are registered under the Securities Act of 1933 (the "1933 Act"). Additional underlying funds may become available in the future. Prior to the issuance of any Contracts, the Separate Account

<sup>2</sup> 17 CFR 200.30-3(a)(12) (1994).